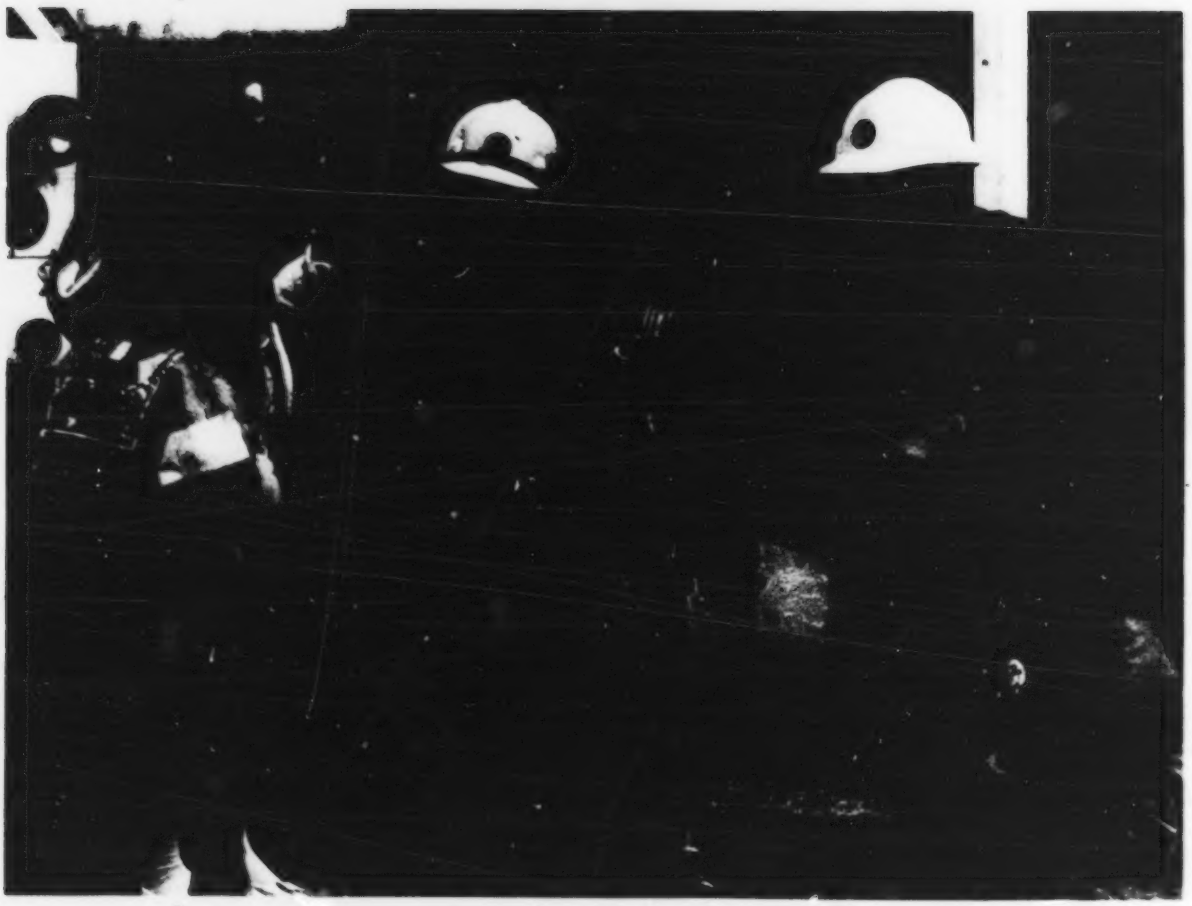
NOVA SCOTIA POWER CORPORATION

Seventieth Annual Report
1989 / 1990



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At Nova Scotia Power
we value
- our employees
- our customers
- our environment
- our province

Cover Photo:
Linemen Perley D'Eon and Mike Mooney of Yarmouth explain the hazards of looking for Teenage Mutant Ninja Turtles in stormdrains

Letter of Transmittal

1990-06-21

His Honour
The Right Honourable Lloyd Crouse
Lieutenant-Governor of Nova Scotia

Sir:

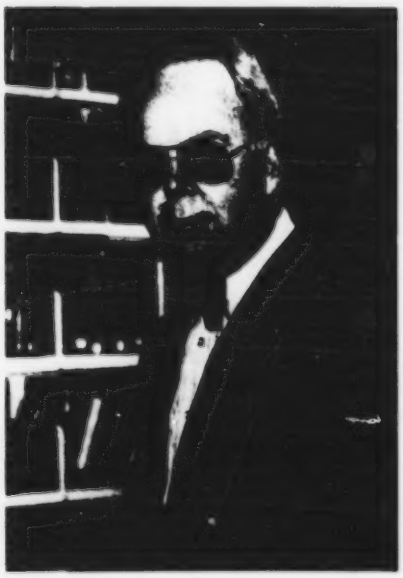
I have the honour to submit herewith the seventieth Annual Report of the Nova Scotia Power Corporation; together with financial statements for the fiscal year ended March 31, 1990.

Through the care and dedication of Nova Scotia Power employees, Nova Scotians have continued to enjoy safe, cost-effective, and reliable electric service. Of particular note this. year is our ever-increasing emphasis on the protection and enhancement of the environment.

Nova Scotia Power and its employees strive to meet the needs of Nova Scotians for electrical energy in an environmentally-sensitive manner and to contribute to the growth and development of our province.

Yours very truly,

Joseph A. F. Macdonald, QC
Chairman



President's Report

I am pleased to report that we made significant progress during the past year in three key areas that are of importance to our customers: environmental protection, customer assistance in the area of energy utilization, and strengthening of Nova Scotia Power's financial self-sufficiency.

Financially, we had a good year. Six years ago we set out to improve the financial condition of the Corporation by eliminating subsidies amounting to some $80 million per year, building equity for "a rainy day", and stabilizing rates for customers. In my view, we are meeting our objectives. A small equity was achieved this year while effective, reliable service was maintained. In fact, system reliability was at 99.93% this year.

Nova Scotia Power continues to maintain its debt per capita at favourable levels compared to all of the other Canadian publicly owned, highly leveraged, electrical utilities. Through our sinking fund policies and investments we have an orderly program in place to repay our debt.

Environmental protection and, indeed, enhancement of the environment is a high priority in our planning process and in our on-going activities.

Nova Scotia Power believes the economy and the environment go hand in hand. For this reason we support the goal of sustainable economic development, that is, development which ensures that the utilization of resources and environment today does not damage the prospects for their use by future generations.

As part of our support for the goal of sustainable economic development, we are committed to a progressive program of environmental protection which addresses preservation and, where possible, enhancement of the quality of the environment.

To ensure that action takes place to meet the requirements of Corporation policy, Nova Scotia Power has an environmental plan, aimed at maintaining a high standard of environmental behaviour in all aspects of our activities.

▲ Mr. Comeau was a guest on the open line show *Talkback* on CJCB radio in Sydney.

Nova Scotia Power has a goal to dramatically reduce atmospheric emissions, and establish Nova Scotia Power as a leader in clean coal-burning technology.

The plan will, over the next 20 years, cut sulphur dioxide (SO_2) emissions in half and nitrogen oxide emissions by 15%, even though consumers' demand for electricity is forecast to double over this period.

The 165-megawatt Point Aconi circulating fluidized bed combustion generating station will spearhead our 20-year environmental protection plan, and it will indeed establish Nova Scotia as a leader in clean, coal-fired generation.

Compared to conventional pulverized coal plants, the Point Aconi unit will achieve a 90% reduction in sulphur dioxide emissions and a 65–75% reduction in nitrogen oxide emissions.

Work progressed during the past year on another major project that will also be a key part of our environmental protection program—the 150-megawatt Trenton No. 6 coal-fired unit. The Trenton station will use low sulphur coal from the new Westray Mine in Pictou County. This coal has almost 75% less sulphur content than other Nova Scotia coal and its use will reduce total SO_2 emissions from Trenton by 35%.

In addition to our concerted efforts to reduce atmospheric emissions, our programs in other areas have been very successful environmentally.

We are continuing our program of eliminating low-level PCB contaminated mineral oil and equipment from our system. Over the past four years our decontamination program and our removal and destruction of high-level PCBs represents a commitment by Nova Scotia Power of some $2.5 million.

Our fish management program continued to expand during the past year including: support of fish passage enhancements, new fishways, financial contributions for salmon rearing activities, and funding of several studies to improve fish passage at hydro stations.

Our on-going osprey nest management program has helped in promoting the growth and development of this endangered species and has become a model for other utilities.

Assistance to our customers through promotion of the wise and efficient use of energy provides dual benefits. Firstly, the customer benefits through lower energy costs and, secondly, our environment benefits. In simple terms, the less electricity used, the less we have to generate. We have accelerated our efforts in this area.

Specifically, we carry out energy efficient design of homes for our customers, recommending R-2000 energy efficiency standards. We promote energy consciousness in the selection of appliances, we advise commercial and industrial entities on energy efficiency and are part of the program, managed by the Department of Mines and Energy, providing expertise in the electrical side of audits and design improvement recommendations. We provide energy information at home shows and advertise the wise and efficient use of energy throughout the province. We carry out an extensive Load Research program which permits the analysis of customer consumption patterns and contributes to our program of advice to customers, as well as to planning, operations and rate design.
We are undertaking a comprehensive review of demand side options and will be implementing those which prove to be cost effective.

"This annual report highlights just some of the examples of the contributions made by Nova Scotia Power employees"

I am particularly grateful for, and proud of, the efforts made by our employees in maintaining our corporate values—our customers, our environment, our employees and our province. This annual report highlights just some of the examples of the contributions made by Nova Scotia Power employees to the overall benefit of Nova Scotia.

I also wish to thank our Board of Directors for their guidance and assistance in achieving the goals of the past year.

Louis R. Comeau

We work together safely...make effective use of modern technology and innovation... recognize employee contributions through timely feedback, fair and equitable rewards, opportunities, and compensation.

This year we continued to work together safely, and some groups have done so for milestone periods. The 122 employees of Distribution Operations and Maintenance South Shore, for example, worked a full year – that's a quarter of a million person hours – without a lost time injury. Another great safety example is in Point Tupper, where all 75 employees have been accident free for 2,000 days, or five years. Says Safety Head Don Thornton, "That length of time is quite an achievement, considering the number of employees and the hazards associated with working in a thermal plant."

Across the province Nova Scotia Power employees were safe drivers: preventable vehicle accidents were at the lowest level since 1985.

At Central Lab in Trenton, Chemist Peter Whitehouse and Chemical Engineer Kevin MacDonald have used innovation to give modern technology a push. Nova Scotia Power had been testing computer systems to monitor efficiency in generating stations, but none had all the

The Space 1990 Amenities Committee: Brenda Jordan, Irene Bebe, Heather Hemphill, Dale Lowe, Jim Spurway, Tina Whynot, and Garry Paton.

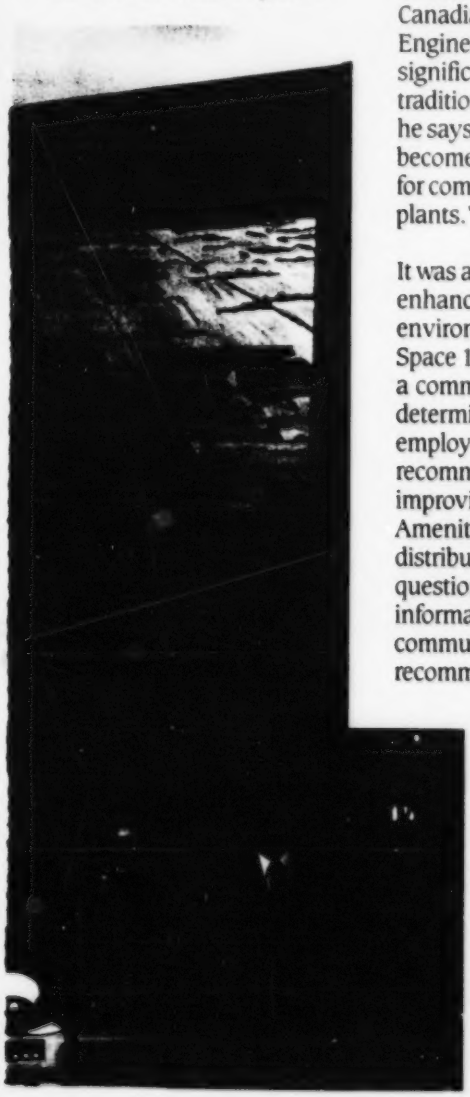
▲ Generation Studies Manager Kerry Blamire initiated the concept of flex time for Nova Scotia Power employees. Kerry uses some of his flex time to paint.

features we desired. Now, thanks to the time and effort of Peter and Kevin, we have our own "custom" system. "I spent a lot of Saturdays and Sundays working on this," says Peter. "I even bought my own computer for home."

Our enthusiasm for employees' innovation is shared by Westinghouse, developer of CADPAD (Computer Aided Distribution Planning and Design Program). CADPAD is integral in the work of T/D's Planning and Engineering employees Joe Thomas, Dave MacKay and Ron LeBlanc. To make the CADPAD system more useful, they wrote routines that so enhance the system, Westinghouse wants to acquire the rights to the routines!

Another Nova Scotia Power employee attracting attention this year was Jim Fletcher. The new unit of the Trenton Generating Station is the first generating plant in Canada built using interactive graphics in the design process. Jim is a Civil Engineer in Generation Engineering who played a leading role in this innovation. He presented a paper on the technique at the Annual Conference of the Canadian Society of Civil Engineers. "This is a significant departure from traditional design methods," he says, "and it's expected to become the method of choice for complex industrial plants."

It was a great year for enhancing employees' work environment. As part of the Space 1990 project, a committee was formed to determine Head Office employees' recommendations for improving facilities. The Amenities Committee distributed 742 questionnaires to solicit the information, then communicated the recommendations to Senior Management. Most were approved.



By combining the best features of all the efficiency monitoring systems NSPC tested, Peter Whitehouse and Kevin MacDonald created the ideal "custom" system for the Corporation. Peter is pictured in his lab at Trenton Generating Station.

In Point Tupper all seventy-five employees have been accident-free for five years.

Another helpful program that was approved for development by Industrial Relations is an Employee Assistance Program. This is a professional, confidential program that will provide employees assistance in matters of personal distress, to help them return to a healthy, productive lifestyle.

Employee development was high profile in fiscal 1990. With 1372 employees receiving technical training ranging from Transportation of Dangerous Goods to Microprocessor Training, and 843 participating in non-technical training like Interpersonal Communications and Impromptu Presentations, 89% of all employees were involved in training this year. There were 56 employees taking 88 university courses (cost shared 50-50), and self study programs were expanded. There are now 45 of these programs in video, workbook and computer-assisted formats.

The main focus of employee development this year was the intensive education program for the change in corporate culture. Early in the year, the four-day Leadership and Values Awareness programs for mid-level managers were completed, and from September to March the majority of our 330 supervisors completed the program. A similar program, stressing teamwork more than leadership, was presented to the executives of the three unions represented at NSPC.

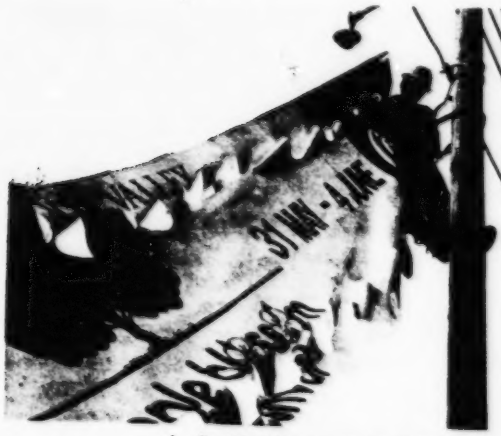
Central Zone's creative approach to the mandatory Poletop Rescue Exercise was adopted this year in Halifax Zone. Central turned the exercise into a competition based on speed and precision two years ago. This approach is so successful we may see it expand into all zones, which could mean "provincials"!

Our goal is customer satisfaction. We provide our customers with quality, responsive and reliable service in an efficient, courteous and cost effective manner.

Employees like Brenda Gardner and Terry Toner make responsive service top priority. As electric and magnetic fields (EMF) became a focus of media attention this year, some customers near transmission lines voiced concerns. Brenda is one of our employees who responds to those concerns by meeting customers, and measuring these fields on their property. Comparing the measurements near transmission lines with the measurements near common household appliances gives customers a better perspective on EMF sources.

In Point Aconi, Terry Toner is responding to community concern over the generating station being built in the area. Terry regularly meets area residents to answer questions, and incorporates their concerns into station plans. In fact, he serves as Chairman of the Community Liaison Committee. "It took until the third meeting to get things rolling, but it's gradually getting into shape," says Terry. "They're concerned about certain issues, and we have to respond to those concerns to maintain our credibility."

Customer considerations are equally important to the employees of Rates and Regulations, who regularly meet customers to solicit their input for future changes in rate structures or regulations. A suggestion



▲ Our line crews regularly go out of their way for customers. One of the services they provide is hanging special event banners from our poles. Here, Wolfville linemen hang an Apple Blossom Festival banner in New Minas.

◀ Amherst District Customer Service Supervisor, Phyllis Perry, explains how to use energy most efficiently to customer Kim Melanson.

Environmental Technologist Brenda Gardner explains the readings of the milligaus meter to customer Ron Dodge. The meter measures magnetic fields.

▲ Representatives of Nova Scotia Power, the Department of Environment, and the Point Aconi Road Community Development Association meet. Pictured from left to right are: NSDOE engineer Peter Weaver, NSPC Point Aconi Site Manager Graeme MacKenzie, PARCDA member Kevin Beaton, and NSPC Environmental Assessment Manager Terry Toner.

from industry they have noted is that the time at which power is used (in addition to the amount of power taken) could be included in rate design changes.

Quality and reliability are always improving through employee efforts, with system reliability at 99.93% this year. Nova Scotia Power is using state of the art monitoring equipment to ensure the quality of service is as excellent as the reliability. Power quality has become a significant issue due to the increasing use of sensitive electronic equipment by our customers.

Satisfying our customers and fulfilling our mandate is always a challenge. Residential services grew by 7294 customers, and 74% of that growth was in the All-Electric category. Computers and surveys help us to maintain our level of service in the face of such growth. We will discover any opportunities for improvement through the Residential End Use Energy Survey conducted this year. Our new computerized cashier and customer service order systems greatly reduce the amount of time customers wait for service.

"They're concerned about certain issues, and we have to respond to those concerns to maintain our credibility."

Environmental Assessment Manager Terry Toner

Our goal is to achieve the greatest efficiency in our operations and in our customers' use. A two-year project to replace field crews' mobile radio systems will help reach that goal. Initiated this year, the program will incorporate central system control, and will replace base stations with additional repeaters. Wide area coverage, greater communications flexibility, and more efficient system control means improved service.

Nova Scotia Power worked closely with Sydney Steel Corporation in their conversion to an electric arc furnace for greater energy efficiency. And in customer service centres across the province, employees provided new customers with information kits on efficient energy use.

Making service the best it can be doesn't have to be expensive. Nova Scotia Power employees' ever increasing productivity makes customer satisfaction cost effective. There were 2,483 employees serving 389,370 customers in fiscal 1990, for an improved customer to employee ratio of 157 to 1.

We will continue to broaden our understanding of the environment and be considerate of potential impacts resulting from our activities.

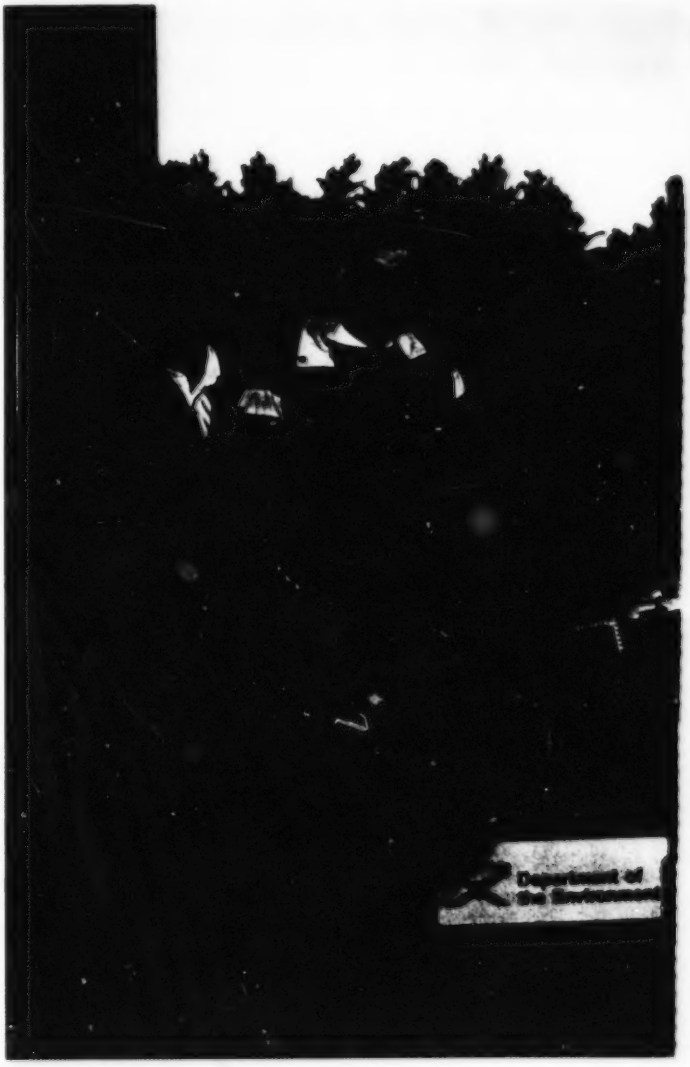
We broaden our understanding of the environment by studying it. This year, our biologists played a key role in the routing of transmission line rights-of-way (ROW). The biologists study the environment of proposed ROWs to identify sensitive animal and plant habitats. Mary Beth Benedict identified an area of potential wood turtle habitat on one proposed route. As a result, the area is being surveyed to verify species' presence and identify measures necessary to minimize disturbance. Mary Beth points out, "We've always taken steps to protect the environment—this is just taking a closer look. Previously, this habitat might not have been identified."

The Standards Department of Transmission and Distribution is studying alternatives to pentachlorophenol-treated poles. This treatment has come under public scrutiny, and we are eager to find an alternative that provides equal preservation and climbability, yet is more environmentally acceptable.

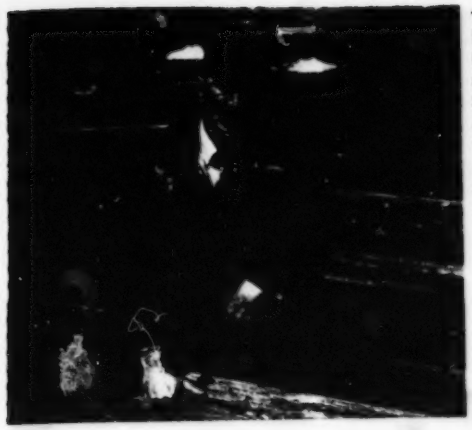
We consider the impacts of our activity, and we act on that consideration. Last June, maintenance work on the Black River Hydro System would have required lowering the water level in the Trout Brook Pond which would have had serious impact on Smallmouth Bass spawning. Hydro Production Manager Garry Rice worked with a Department of Fisheries and Oceans official to defer the work until after the spawning season. In appreciation of their efforts, the Canadian Association of Smallmouth Anglers presented the two with the 1989 Conservation Award.

Conservation of a different sort was organized at our Caledonia office. Employees there collected cardboard every week for the local high school's recycling program.

The importance of recycling was recognized in Head Office as well where Customer Relations chose recycled paper for the printing of our bi-monthly bill insert, Current News. Corporate Services steered their major paper tender for the Print Shop and photocopier use to a recycled product, and employee paper recycling grew to such a level that collection had to be externally managed.



▲ Caledonia District employees collect cardboard every week for the North Queens Rural High School recycling program. Pictured are Anne Marie Sheppard, Vice Principal Rod Kierstead, Tommy Cushing, Shawna Armstrong, and NSPC Linemen Bruce Allen and Réné Thibault.



Hydro Production Manager Garry Rice on the Black River System where maintenance work was delayed until after the spawning season of the Smallmouth Bass.

"We've always taken steps to protect the environment—this is just taking a closer look."

Biologist Mary Beth Benedict

In addition to environmental impact, Nova Scotia Power considers community impact. The fourth year of our PCB decontamination program saw most low-level contaminated oil treated. Having removed all high-level contaminated oil from our system in 1988, this year's final low-level treatments mean any future decontamination will be infrequent, as needed.

We have incorporated community consideration into our brush control program. We now rely more heavily on manual and cutting methods to maintain the transmission rights-of-way, and we use herbicide treatments very selectively.

In this year's major construction projects, we went to local residents and provincial regulators for input. At Trenton, the design and the site selection of the coal ash management facility, as well as the development of the chemical waste water treatment facility addressed residents' and governments' concerns. The Point Aconi Generating Station was reviewed publicly and by the provincial Department of the Environment before construction was approved, and further review is on-going. Meeting with area residents became a regular practice. A community liaison committee was formed and became active, and a project information centre is being established.

Point Aconi is also an outstanding example of our action on acid rain. The circulating fluidized bed (CFB) technology will reduce sulphur dioxide emissions by 90% and nitrogen oxide emissions by 65–75%.

NSPC Biologist Mary Beth Benedict (right) surveys a proposed transmission line right-of-way with Jacques Whitford and Associates aquatic biologist Sue Belford.

We are proud to belong to the Nova Scotia community, and to be a major contributor to its economic and technological development... to be a leader in the energy sector... conduct ourselves in a manner that is responsive to and respectful of community needs.

In fiscal 1990, Nova Scotia Power spent $465 million for goods, supplies and services. Of that total, $334.5 million was spent through Nova Scotia manufacturers, distributors and agents. Across the province, Nova Scotia suppliers received 115,000 orders from NSPC. This investment was necessary to help meet the province's energy needs.

The system net peak of 1707 megawatts on December 29 was 5.4% higher than last year. Total energy requirement for the year was 6.6% higher than fiscal 1989, at 9,307,323,273 kilowatt hours. Steam filled 87.7% of that requirement, and hydro provided 9.8%. The high availability of large thermal units during the winter months resulted in reduced production costs.

"Because of the size of our communities, volunteerism is a major method of getting things accomplished, and our employees take pride in being a part of this."

Caledonia District Supervisor Charlie Greer

Construction continued, in order to meet future energy needs. Construction of Trenton Generating Station's Unit 6 progressed on schedule toward the on-line date of October 1991. At the end of fiscal 1990, purchase and contract commitments totalled $181 million, of which 53% is for Nova Scotia goods and services. The project will provide up to 300,000 person days of employment during construction, and will add 30 more permanent jobs at the Trenton plant.

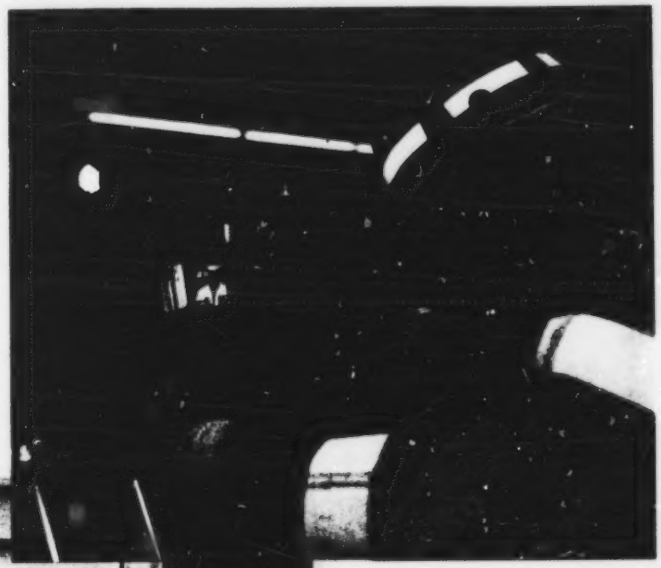
Construction on the new CFB plant at Point Aconi got underway at the end of fiscal 1990 following provincial environmental approval. The project was the first to be reviewed under the new Environmental Assessment Act, which included a public hearing in January. This project will include $150 million of Nova Scotia content, and will create 87 permanent jobs.

▲ Leading Lineman Steve Malay of Caledonia has been involved with the North Queens Heritage Society since 1979. He is pictured here in the North Queens Heritage House Museum, which the Society has developed to preserve the community's history.

Doug Hickey, a Maintenance Journeyman at Tufts Cove Generating Station has worked with the Canadian Association for Community Living for ten years. This was his third year as organizer of the CACL Flowers of Hope Fun Run. ▼

As a leader in the energy sector, Nova Scotia Power co-sponsored the first "Regulatory Seminar" for Maritime utilities. The seminar treated subjects such as emerging financial issues, and good witnessing in rate cases. Registrants were very involved, and Rates and Regulations Manager Albert Dominie was pleased with the response. "It was very positive, to the point where every item could have been a two week seminar in itself."

Nova Scotia Power's leadership is reflected in the leadership of our employees. From Glace Bay to Yarmouth, volunteers like Floyd Wilton, Doug Hickey, Steve Malay and Debbie Southern are leaders in their communities. In Caledonia, District Supervisor Charlie Greer explains: "Because of the size of our communities, volunteerism is a major method of getting things accomplished, and our employees take pride in being a part of this."



Floyd Wilton is a Shift Supervisor at Glace Bay Generating Station, and a firefighter with the Reserve Mines Volunteer Fire Department.

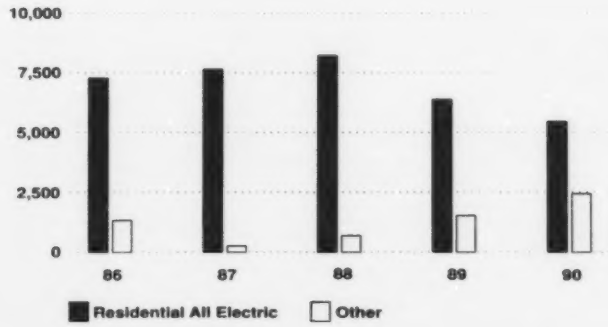
▲ Debbie Southern, Clerk Stenographer at the Yarmouth District Office, volunteers her time to help out the 1st Hebron Brownie Pack. Pictured with Debbie are Brownies Elaina Goodwin and Vanessa Southern.

George Cottreau, Control and Communication Manager, was one of 25 Canadians to receive a federal Citation for Citizenship in recognition of his work for the long-awaited francophone school and community centre for Halifax-Dartmouth.

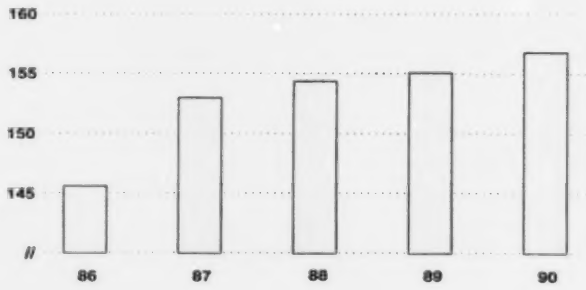
The safety of fellow Nova Scotians was the focus of efforts by Jack Andrews of the Eastern Valley Hydro System, and Yarmouth Linemen Perley D'Eon and Mike Mooney. Jack produced a video and newspaper article about hazards associated with hydro systems and "tubing" on the Gaspereau River. Perley and Mike explained the danger of playing near open stormdrains to some local school children they discovered fishing in the drains. "They were looking for Ninja Turtles," chuckles Perley.

Statistical Information

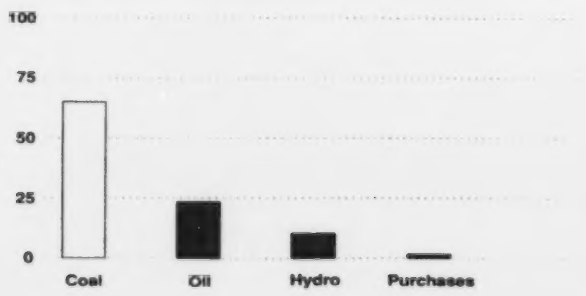
CUSTOMER GROWTH



CUSTOMERS PER EMPLOYEE



ENERGY SOURCES 1990 (%)



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FINANCIAL HIGHLIGHTS

- **Net Income** for the year ended March 31, 1990, was $21 million, an improvement of $32 million over the previous year.

- **Revenue** increased $52 million on sales of 8,445 GWh. A rate increase of 6.3% accounted for $28 million and increased energy sales accounted for $24 million.

FINANCIAL OPERATIONS

The Corporation's positive operating income is the result of productivity improvements, an approved rate increase, as well as the impact of favourable market factors.

The net income was favourably impacted by the Board of Public Utilities' approval of an average 6.3% rate increase effective April 1, 1989. This, coupled with a 4.8% increase in volume provided a positive change in our net operating position.

Electric revenue increased $52 million, or 9.7% over fiscal 1989. Additional sales of 168 million kilowatt hours helped in-province electric sales to rise $48 million or 8.9%. Electric revenue from export sales of 242 million kilowatt hours provided $7 million of revenue, an increase of $4 million over fiscal 1989.

Fuel costs increased by $19 million or 9.2% over the previous year. Increased generating requirements accounted for a fuel cost increase of $25 million, which was offset by favourable pricing of $6 million.

Operating, Maintenance and General expenses increased by 5.1% over fiscal 1989. This increase was largely due to a general escalation of costs and increased energy production.

Interest expense for fiscal 1990 was down $3 million from the $155 million expended in the previous year, the result of the retirement of foreign debt.

CAPITAL SPENDING

Capital spending during fiscal 1990 amounted to $217 million. Major capital expenditures for the period included continued construction of the Trenton 6 Thermal Generating Unit and associated transmission.

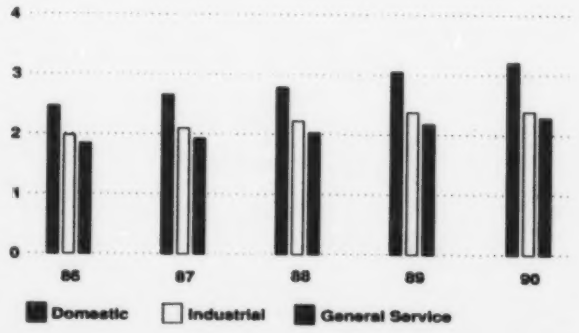
FINANCIAL STATISTICS

for the year ended March 31, 1990, with four-year comparative figures

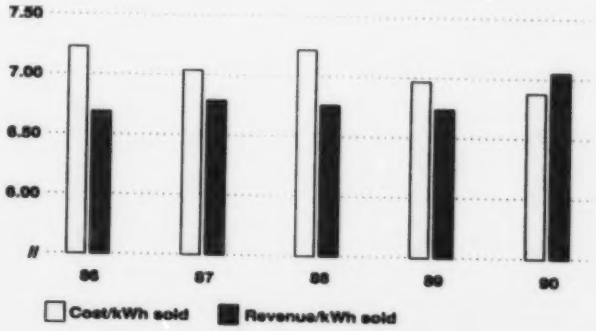
thousands of dollars

	1990	1989	1988	1987	1986
Electric Revenue	**$595,791**	$543,321	$502,658	$476,056	$466,665
Total Cost of Operations	**429,269**	406,376	385,571	346,116	362,566
Fuel	**225,132**	206,241	199,082	173,397	193,312
Depreciation	**60,007**	58,918	52,576	48,426	47,447
Interest	**151,894**	155,002	151,830	147,443	141,575
Net Income (Loss)	**20,963**	(11,443)	(27,753)	(9,277)	(12,257)
Net Proceeds, Long-Term Debt	**394,070**	209,837	149,667	166,569	—
Net Additions to Fixed Assets	**216,893**	112,191	104,597	120,090	87,729

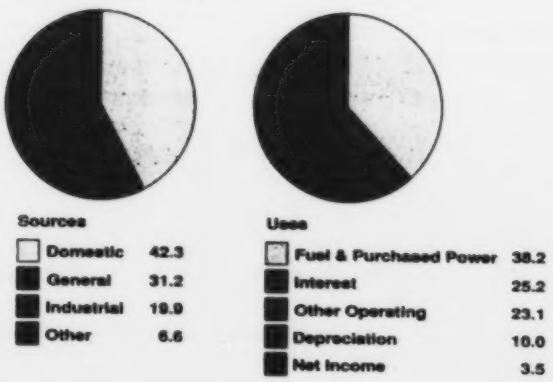
ENERGY SALES (millions of kWh)



UNIT COSTS AND REVENUES (cents / kWh)



REVENUE 1990



Consolidated Financial Statements

March 31, 1990

MANAGEMENT REPORT

All information, including the consolidated financial statements in the Annual Report of Nova Scotia Power Corporation, is the responsibility of management and has been approved by the Directors. Financial information presented throughout this report is consistent with the data presented in the financial statements which are prepared in accordance with generally accepted accounting principles.

The Board of Directors carries out its responsibilities for the financial statements primarily through its Audit Committee, a majority of whom are not employees of the Corporation. The Audit Committee meets regularly with management, internal auditors, and the independent auditors all of whom have full and free access to the Committee.

The independent auditors are responsible for auditing the financial statements and giving an opinion thereon.

AUDITORS' REPORT

To the Board of Directors
Nova Scotia Power Corporation

We have examined the consolidated balance sheet of Nova Scotia Power Corporation as at March 31, 1990, and the consolidated statements of operations and retained earnings, and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1990 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat Marwick Thorne

Chartered Accountants

Halifax, Canada
June 19, 1990

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

for the year ended March 31, 1990, with comparative figures for 1989

thousands of dollars

	1990	1989
Revenue		
Electric – note 1	**$595,791**	$543,321
Other	**6,335**	6,614
	602,126	549,935
Cost of operations		
Power generated – fuel	**225,132**	206,241
– other	**50,797**	48,088
Power purchased	**4,656**	8,568
Operating, maintenance and general	**83,877**	79,810
Grants in lieu of taxes	**4,800**	4,751
Depreciation	**60,007**	58,918
	429,269	406,376
Income before interest	**172,857**	143,559
Interest – note 2	**151,894**	155,002
Net income (loss)	**$ 20,963**	$(11,443)
Retained earnings at beginning of year	**6,837**	18,280
Retained earnings at end of year	**$ 27,800**	$ 6,837

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET

ASSETS

as at March 31, 1990, with comparative figures for 1989

thousands of dollars

	1990	1989
Fixed assets		
Property, plant and equipment in service	**$1,957,129**	$1,902,174
Less accumulated depreciation	**630,509**	594,501
	1,326,620	1,307,673
Construction work in progress	**193,116**	55,290
	1,519,736	1,362,963
Current assets		
Cash	**76**	67
Short-term investments at cost	**19**	55,334
Accounts receivable	**52,991**	54,293
Unbilled revenue	**47,557**	44,605
Inventories at cost	**65,810**	46,545
Prepaid expenses	**1,154**	3,441
	167,607	204,285
Long-term receivables	**96**	179
Deferred charges less amortization		
Unrealized foreign exchange costs	**10,594**	7,785
Financing costs	**14,074**	13,704
Other	**3,800**	5,278
	28,468	26,767
	$1,715,907	$1,594,194

Approved on behalf of the corporation

Chairman

President and Chief Executive Officer

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

as at March 31, 1990, with comparative figures for 1989

thousands of dollars

	1990	1989
Long-term debt—note 3	**$1,479,136**	$1,196,998
Current liabilities		
Bank indebtedness	**22,277**	3,124
Short-term notes	**—**	514
Accounts payable and accrued charges	**54,764**	42,998
Customers' deposits and accrued interest	**1,823**	1,556
Accrued interest on long-term debt	**61,905**	64,271
Long-term debt payable within one year	**53,275**	262,777
	194,044	375,240
Deferred credits	**1,600**	1,792
Equity		
Contributed surplus	**13,327**	13,327
Retained earnings	**27,800**	6,837
	41,127	20,164
	$1,715,907	$1,594,194

Commitments—note 4

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN CASH POSITION

for the year ended March 31, 1990, with comparative figures for 1989

thousands of dollars

	1990	1989
Operating activities:		
Net income (loss)	**$20,963**	$(11,443)
Items not requiring an outlay of funds:		
Depreciation	**60,007**	58,918
Amortization of deferred charges	**3,030**	10,551
Earnings on sinking funds	**(32,161)**	(29,807)
Working capital	**(16,481)**	(2,974)
Cash provided by operating activities	**35,358**	25,245
Financing activities:		
Proceeds from long-term debt less discount	**394,070**	209,837
Repayment of long-term debt	**(278,319)**	(55,117)
Sinking fund payments	**(15,949)**	(16,424)
Other	**190**	113
Cash provided by financing activities	**99,992**	138,409
Investing activities:		
Net cash applied to fixed assets and deferred charges	**209,295**	106,703
Increase (decrease) in cash position	**(73,945)**	56,951
Cash position (deficiency) at beginning of year	**51,763**	(5,188)
Cash position (deficiency) at end of year	**$(22,182)**	$ 51,763

See accompanying summary of significant accounting policies and notes to consolidated financial statements.

March 31, 1990

Consolidation
The consolidated financial statements include the accounts of Nova Scotia Power Corporation and its wholly-owned subsidiaries, Nova Scotia Light and Power Company, Limited and Eastern Light & Power Company Limited.

Regulation
The Corporation is a crown corporation of the Province of Nova Scotia engaged in the production and sale of electric energy, and is regulated by the Board of Commissioners of Public Utilities for the Province of Nova Scotia pursuant to the Public Utilities Act.

Property, Plant and Equipment
The property, plant and equipment of the Corporation are recorded at original cost net of contributions in aid of construction. Expenditures for additions, replacements and improvements, which are comprised of direct labour, material, engineering, and related overhead costs, are capitalized whereas repairs and maintenance are charged to operations. Interest on funds used during construction is capitalized monthly at an interest rate which represents the effective cost of capital determined at the preceding fiscal year end. For property, plant and equipment replaced or renewed, the original cost plus removal cost less salvage is charged to accumulated depreciation.

The excess of the Corporation's investment over the book value of subsidiaries and acquired power utilities was $30,197,000. This amount is being amortized on a straight line basis over terms ranging from 11 to 30 years. At March 31, 1990, the unamortized value included in the fixed assets of the Corporation was $8,063,000.

Depreciation is provided for by the Corporation on the straight line method, based on the estimated remaining service lives of its depreciable assets. The estimated average service lives for the major categories of plant in service are summarized as follows:

Functions	Average Life in Years
Generation:	
Hydro	62.0
Steam	32.3
Gas Turbine	28.7
Transmission	42.9
Distribution	30.8
General Plant	12.7

Changes in the estimated service lives of fixed assets and in the significant assumptions underlying the estimates of fixed asset removal costs are subject to periodic review. Such changes are implemented on a remaining service life basis from the year the changes can be first reflected in electric service rates.

Depreciation expense for the year ended March 31, 1990 includes $1,130,000 representing amortization of the excess of investment over book value of acquired utilities.

Foreign Currency Translation
Foreign currency amounts are translated into Canadian funds substantially in accordance with the temporal method of foreign currency translation, whereby assets and liabilities so denominated are categorized as monetary or non-monetary items as follows:

(a) Monetary items:
Cash, other current assets and liabilities, sinking funds and long-term debt are converted to Canadian dollars at the rate of exchange prevailing at the balance sheet date. The resulting differences between the translation at the original transaction date and the balance sheet date that relates to long-term debt less sinking funds are shown on the balance sheet under deferred charges.

These costs are amortized to operations over the remaining life of the debt issue or the period over which the related sinking fund will retire the debt issue, whichever is less.

(b) Non-monetary items:
Fixed assets originally acquired in foreign currencies are translated to Canadian dollars at historical exchange rates.

(c) Revenue and expense items, including interest expense on long-term debt, are reflected in operations at the rate of exchange on the date of the transaction together with any other exchange gains or losses realized from transactions affecting current operations.

Sinking Funds
Sinking funds, including those in foreign currencies, consist of securities and cash held by the Corporation and trustees for the redemption of certain debt issues. Certain issues of bonds and debentures requiring annual sinking fund payments provide that the Corporation may satisfy its obligation by purchasing bonds or debentures on the open market at any time prior to the due date. Any discount or premium on such purchases will be recognized in income on the transaction date.

March 31, 1990

1. Electric Revenue

Electric service is provided to the Province of Nova Scotia and its agencies at the appropriate class rates as approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia.

2. Interest

thousands of dollars

	1990	1989
Interest on long-term debt	**$194,083**	$174,656
Amortization of financing costs	**3,377**	2,809
Interest on short-term debt	**4,278**	2,449
Foreign exchange costs realized	**4,565**	4,319
Amortization of unrealized foreign exchange costs	**(1,858)**	6,288
Loss on redemption of bonds	**299**	73
Other	**281**	280
	205,025	190,874
Less		
Interest charged to construction	**9,767**	2,833
Sinking fund earnings	**32,161**	29,807
Other investment income	**11,203**	3,232
	53,131	35,872
	$151,894	$155,002

3. Long-Term Debt

thousands of dollars

	1990	1989
Bonds and debentures	**$1,475,173**	$1,351,588
Notes		
Province of Nova Scotia	**17,286**	64,591
Government of Canada	**39,952**	42,298
Other	**—**	1,298
	1,532,411	1,459,775
Less		
Payable within one year	**53,275**	262,777
	$1,479,136	$1,196,998

Bonds, debentures and notes payable, which are guaranteed by the Province of Nova Scotia, are expressed in Canadian dollars at balance sheet date. They are summarized by years of maturity and by currency in which they are payable in the following table:

	1990				1989	
Years of Maturity	Principal Outstanding			Weighted Average Coupon Rate	Principal Outstanding	Weighted Average Coupon Rate
	Canadian	Foreign	**Total**	%	Total	%
1990					$ 245,108	
1991	$ 20,090	$ -	**$ 20,090**		20,143	
1992	178,355	62,536	**240,891**		231,139	
1993	129,826	-	**129,826**		130,222	
1994	15,759	-	**15,759**		53,836	
1995	51,190	4,447	**55,637**		-	
1–5 Years	395,220	66,983	**462,203**	10.68	680,448	10.26
6–10 Years	127,148	81,914	**209,062**	9.23	165,364	8.60
11–15 Years	559,365	58,510	**617,875**	11.02	571,443	10.83
16–20 Years	54,930	87,765	**142,695**	10.21	244,366	10.99
21–25 Years	350,971	-	**350,971**	11.08	151,938	10.83
26–30 Years	150,000	-	**150,000**	10.25	-	-
	1,637,634	295,172	**1,932,806**	10.64	1,813,559	10.43
Less						
Sinking funds	257,311	143,084	**400,395**	-	353,784	-
	$1,380,323	$152,088	**$1,532,411**	10.64	$1,459,775	10.43
Currency payable:						
Canadian dollars			**$1,380,323**	11.06	$1,257,507	10.91
United States dollars			**89,552**	9.22	144,820	9.04
Swiss francs			**62,536**	4.88	57,448	4.88
			$1,532,411	10.64	$1,459,775	10.43

Included in bonds and debentures are Nova Scotia Power savings bonds outstanding of $137 million in 1990 ($321 million in 1989) which are redeemable, in whole or in part on an annual basis at par at the option of the holder. Holders of $23 million have opted for redemption and this amount has been included in long-term debt payable within one year. The potential exists for additional redemptions to a maximum of $20 million on August 8, 1990. The Corporation finances these redemptions through public debt issues.

Long-term maturities and sinking fund requirements, including those in foreign currencies translated to Canadian currency at March 31, 1990, are as follows:

Year Ending March 31	
1991	$ 53,275
1992	185,423
1993	88,357
1994	30,370
1995	67,056
	$424,481

4. **Commitments**
As at March 31, 1990, the Corporation was constructing generation, transmission and other facilities estimated to cost approximately $826.8 million of which approximately $194.1 million has been expended and an additional $357.8 million has been committed under contract.

5. **Pension Plans**
Regular employees of the Corporation are covered by the Public Service Superannuation Plan of the Province of Nova Scotia, which is a defined benefit multi-employer plan under which contributions are made equally by the Corporation and the employees. During the year, contributions to this plan of $5,029,000 (1989—$4,647,000) were expensed.

The Corporation provides pension benefits to employees of acquired utilities, additional to those which are payable under the existing plans for years of service prior to acquisition. The Nova Scotia Light and Power Company, Limited Pension Plan and the Nova Scotia Power Corporation Supplemental Pension Plan, each serving a closed employee group, have been treated in accordance with generally accepted practice for defined benefit pension plans. Pension expense for these plans in 1990 totalled $2,054,000 (1989–$2,054,000). Based on the most recent actuarial valuations completed as of December 31, 1987, extrapolations of both the present value of the accrued pension benefits, and the market value of the net assets available to provide for these benefits have been made to March 31, 1990.

Accrued Benefits	$57,180,000
Pension Fund Assets	43,317,000
	$13,863,000
Amortization Method	Annuity Method
Amortization Period	13 Years
Annualized Future Funding Contribution and Expense	$ 2,054,000

6. **Related Party Transactions**
Related party transactions are disclosed elsewhere in the consolidated financial statements.

Comparative Statistics

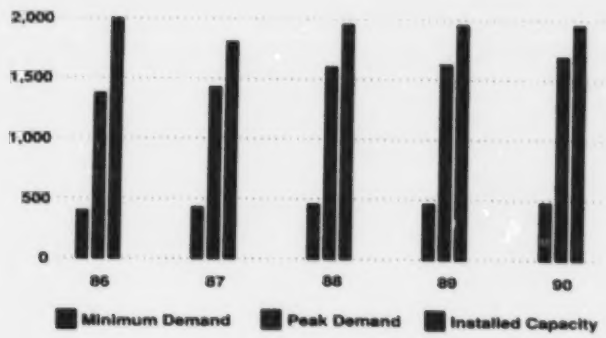
for twelve month period ended March 31

	1990	1989	1988	1987	1986
Electric Energy Generated & Purchased (Thousand kWh):					
Generated (net)	**9,169,826**	8,439,437	7,655,482	7,168,874	7,037,360
Purchased	**137,497**	295,206	515,212	554,223	661,460
	9,307,323	8,734,643	8,170,694	7,723,097	7,698,820
Losses & Internal Use	**862,012**	678,353	732,816	715,220	722,371
Total Electric Energy Sold	**8,445,311**	8,056,290	7,437,878	7,007,877	6,976,449
Energy Sales Billed (Thousand kWh):					
Domestic Service	**3,206,837**	3,049,952	2,782,613	2,659,872	2,468,203
General Service	**2,291,655**	2,185,511	2,030,802	1,931,380	1,845,663
Industrial Power	**2,390,429**	2,380,523	2,227,152	2,097,916	1,981,854
Municipalities	**242,655**	235,921	223,124	212,156	198,392
Unmetered Services	**82,229**	78,961	76,179	74,155	72,677
Total In-Province Billed Energy Sales	**8,213,805**	7,930,868	7,339,870	6,975,479	6,566,789
Increase (Decrease) in Unbilled Sales	**(10,268)**	104,367	68,594	31,516	19,986
Grid Sales	**241,774**	21,055	29,414	882	389,674
Total Electric Energy Sales	**8,445,311**	8,056,290	7,437,878	7,007,877	6,976,449
Electric Revenue Billed (Thousand $):					
Domestic Service	**$253,206**	$226,309	$208,581	$200,135	$187,241
General Service	**186,635**	171,156	159,691	151,912	145,913
Industrial Power	**119,443**	113,078	105,405	100,008	98,284
Municipalities	**13,451**	12,225	11,536	10,895	10,249
Unmetered Services	**12,776**	11,576	11,170	10,788	10,487
Total In-Province Electric Revenue	**585,511**	534,344	496,383	473,738	452,174
Increase in Unbilled Revenue	**2,952**	6,266	4,423	2,278	1,362
Grid Sales	**7,328**	2,711	1,852	40	13,129
Total Electric Revenue	**$595,791**	$543,321	$502,658	$476,056	$466,665
Average Unit Revenue per kWh Billed:					
Domestic Service	**7.90¢**	7.42¢	7.50¢	7.52¢	7.59¢
General Service	**8.14¢**	7.83¢	7.86¢	7.87¢	7.91¢
Industrial Power	**5.00¢**	4.75¢	4.73¢	4.77¢	4.96¢
Municipalities	**5.54¢**	5.18¢	5.17¢	5.14¢	5.17¢
Unmetered Services	**15.54¢**	14.66¢	14.66¢	14.55¢	14.43¢
All Classifications Combined	**7.13¢**	6.74¢	6.76¢	6.79¢	6.89¢
Number of Employees	**2,483**	2,460	2,420	2,383	2,450
Number of Customers	**389,370**	381,507	373,594	364,673	356,764
km of Transmission Lines (69 kV & Over)	**4,904**	4,872	4,866	4,862	4,712
km of Distribution Lines (36 kV & Under)	**24,017**	23,701	23,503	22,620	21,972
Cost of Fuel (Thousand $) — Coal	**$158,356**	$156,376	$154,011	$144,629	$146,971
— Oil	**66,775**	49,865	45,071	28,768	46,341
Total	**$225,131**	$206,241	$199,082	$173,397	$193,312

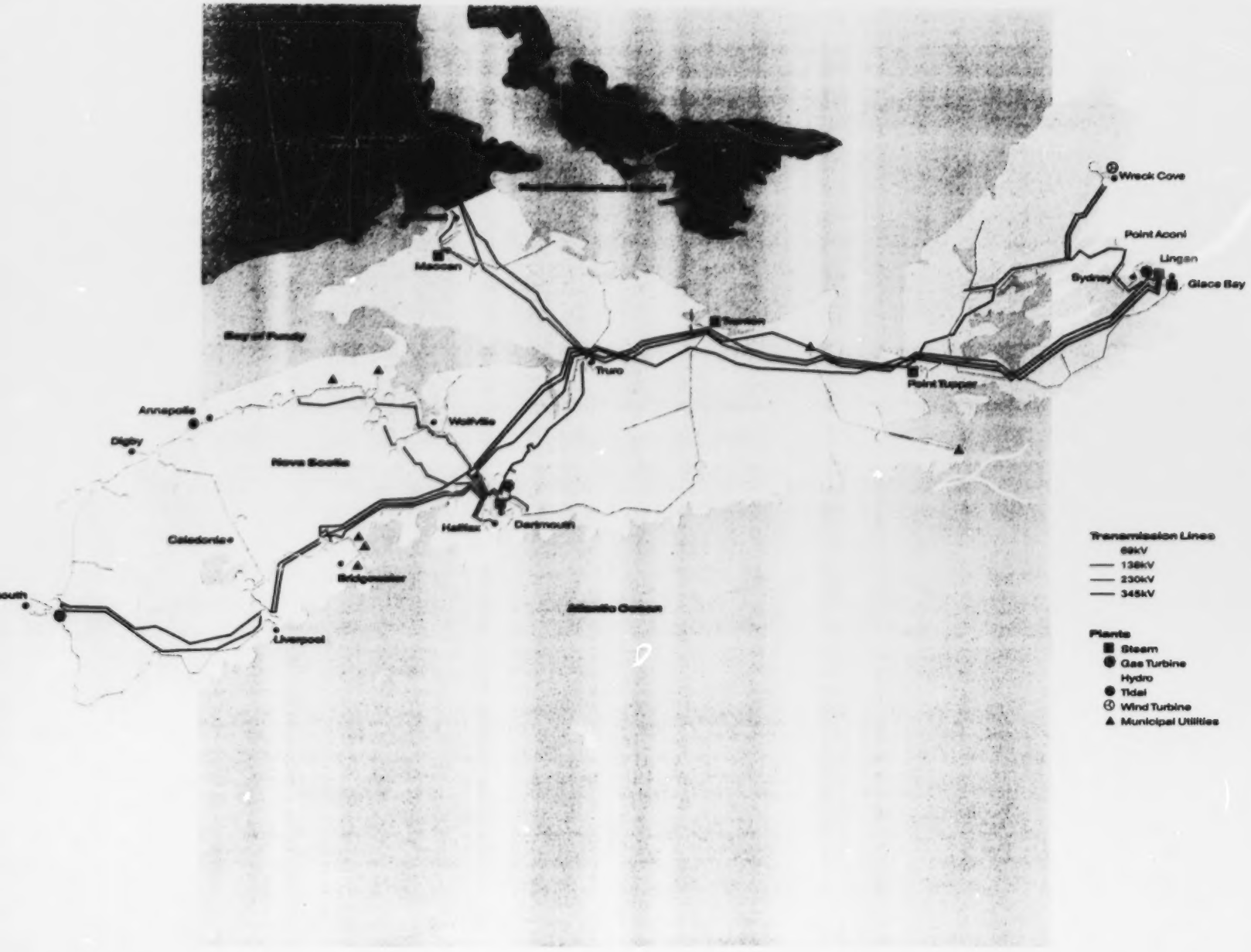
Generation Statistics

	Installed Capacity in kW	1989–90 Generation (kWh x 1,000)
Steam		
Lingan	601,800	4,387,180
Tufts Cove	350,000	1,988,267
Trenton	190,000	862,802
Point Tupper	150,000	1,062,812
Glace Bay	96,000	338,064
Maccan	15,000	30,385
	1,402,800	8,669,510
Gas Turbine	179,845	67,856
Hydro		
Total 33 Plants	361,902	918,058
Tidal	19,458	29,018
Wind Turbine	300	-
Total Capacity	1,964,305	
Total Generation		9,684,442
Less: Station Service		514,616
Net Generation		9,169,826
Purchases		137,497
Inter-Provincial Sales (to NBEPC)		(241,774)
Net Requirement		9,065,549

GENERATION STATISTICS (MW)



System Map


Wreck Cove
Point Aconi
Lingan
Sydney
Glace Bay
Madawaska
Bay of Fundy
Truro
Point Tupper
Annapolis
Digby
Wolfville
Nova Scotia
Halifax
Dartmouth
Caledonia
Bridgewater
Liverpool
Atlantic Ocean
Transmission Lines
69kV
138kV
230kV
345kV
Plants
Steam
Gas Turbine
Hydro
Tidal
Wind Turbine
Municipal Utilities

THE BOARD OF DIRECTORS

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C.S. Smith, Liverpool
L.R. Comeau, Halifax
G.R. Elliott, Amherst
A.F. Bruce, Truro
C.J. Creighton, Dartmouth
B.L. Woodworth, Wolfville
M.B. Walker, Halifax
R.A. Damery, Bridgewater
G.J. McCulloch, Halifax
J.A.F. Macdonald, QC, Chairman, Halifax

Absent from the photograph is G.D. Macdonald, New Glasgow.

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G.K. Oickle
L.R. Comeau, Ex Officio

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L.R. Comeau, Ex Officio

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Peat Marwick Thorne
Halifax

Bankers

Bank of Nova Scotia
Royal Bank of Canada

Solicitors

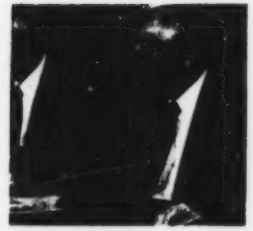
Cox, Downie & Goodfellow
Halifax

Transfer Agent and Registrar

Corporate Trust and Debt Administration Department,
Nova Scotia Power Corporation

OFFICERS

L.R. Comeau
President and
Chief Executive Officer



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Corporate Services

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Engineering and Production

T.F. MacDonald
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